BOOK REVIEWS AND NOTICES

The Nature and First Principle of Taxation. By ROBERT JONES, with a preface by SIDNEY WEBB. London: P. S. King & Son, 1914. 8vo, pp. xviii+299. 7*s*. 6*d*.

This book is an addition to the already extensive literature dealing with the canons of taxation. The author, as the title of the study indicates, has undertaken to discover and to elucidate the most fundamental principle to be observed in the levying of taxes. For the most part consideration of the questions involved is theoretical and large portions of the book are devoted to citations of the opinions and precepts of writers both well known and obscure. There is, however, a singular lack of attempt to substantiate conclusions of theory by inquiry into the experience of practical administrators. This deficiency, always serious in a work dealing with public finance, is all the more glaring when the author professes, as does Mr. Jones, to find in "economy" the first principle of taxation.

Before taking up the main problem of his investigation the author finds it necessary to classify public revenues in order to isolate taxes from other forms of governmental income. Public revenues are divided into (I) Pure Taxes, (II) Quasi-Taxes, and (III) Profits. Pure Taxes are "compulsory payments made by persons to a governing body, and not guaranteeing any definite services" (p. 29). Profits, on the other hand, "are the excess of income over expenditure, in transactions where there is an exchange of economic goods or services" (p. 30). Profits include all such receipts as the rent of domains, net gains from state industries, lotteries, fees, and "monopoly profits" generally (pp. 5 and 18). If this category is constructed simply to receive the odds and ends of revenue that cannot be classified as pure taxes, well and good. But if a thoroughgoing classification is here attempted the author should explain how such unlike items as fees and monopoly revenues can be included in the same group. Furthermore, his use of the term "profits" requires more than the perfunctory justification he gives it. It is also a question whether the true terminological counterpart of a tax is not a "price" instead of a "profit."

The category Quasi-Taxes is invented because the author finds that certain kinds of public revenue partake of the characteristics of both

taxes and prices, or, perhaps, because certain forms of public revenue contain elements of both. Thus it is recognized that the charges of a public monopoly, such as the post-office, may partake of the nature of a tax. Thus far the author is probably in agreement with the majority of writers on public finance. But his test to determine the presence of a tax in such charges is far from satisfactory. Bastable's well-known criterion is rejected. In the author's opinion, if the state charges more, on the whole, than would a privately managed concern for an equivalent service, it is taxing the consumer. But no well-defined principle emerges from this distinction because the conditions that determine the charges of private concerns are not reducible to definite terms. Moreover, since, with respect to many services rendered by the state there is no possibility of establishing the price that would be charged by a private concern, the test is of little practical value. In the relatively few instances in which it is feasible to compare the established prices of government and of private industries for equivalent services, the test is inconclusive. Should the prices of government industries be compared with those of unregulated private monopoly? or with those of competitive industry? or with those of private monopoly tempered by governmental regulation? In short, the author emerges from his discussion of classification with very few tenable conclusions; but his definition of taxes is, on the whole, sound, and that is the most important thing.

In levying taxes governments, according to Mr. Jones, should be guided by the principle of "economy." This principle demands that all taxes be so levied as to cause the least loss in social productivity. But why a *loss* in productivity? Ought not statesmen and financiers to take care that taxes be so levied as to cause the greatest gain in productivity? The author's answer to this question is that the tax causes a loss, but that the expenditure of the proceeds of the tax may bring about a gain. Not content with this avoidance, he goes farther (p. 172) and asserts that if the tax is used to make a definite return to the taxpayers, or to the community, it is not a tax at all but a quasi-tax! Pure taxes "have no reckonable counter-payments."

From the general proposition that taxes should cause the smallest possible loss in social productivity certain subsidiary conclusions are drawn. Taxes should be collected from the least useful parts of incomes; they should not cause retrogression in the technique of production; they should not bring about a less productive distribution of income or a less productive distribution of population among occupations; they should be cheaply collected; and, finally, they should be open to as little evasion

and fraud as possible (p. 197). With all these minor precepts we may agree, if the tax that satisfies them is also a good revenue-producer. But the author utterly rejects the canon of productivity. It is scarcely a principle of taxation at all; for to get revenue is the end of all taxation (p. 156). To say that taxes must be productive gives one no guidance in their levy (p. 158). If the author means that productivity is of such importance as to overshadow all other canons, and hence must be assumed for all taxes, we may agree with him. But if he means that other considerations, which he includes under the canon of "economy," come first he puts himself in the impossible position of advocating a tax system for its own sake. His meaning is far from clear.

The principle of economy in conjunction with the law of diminishing utility leads, in theory at least, to "Procrustean" taxation (p. 187). This formidable term means that taxes should be rapidly progressive even to the point of being imposed solely upon large incomes. The practical impossibility of such confiscation is, however, acknowledged.

The remaining orthodox canons of taxation are quickly disposed of. Certainty and justice, the author asserts, may be deduced from the principle of economy. Political restraints and the necessity of modifying theoretical conclusions to meet practical situations are recognized as necessary evils. On the whole the study is suggestive of many points of controversial interest; but it fails to make good the case for "economy" as the first principle of taxation.

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British Railways: A Financial and Commercial Survey. By W. R. LAWSON. New York: D. Van Nostrand Co., 1914. 8vo, pp. xxxii+320. $2.00 net.

Mr. Lawson's latest book might be entitled "What Is the Matter with the British Railways?" were it not that that would suggest a querulous attitude, whereas the tone of the present work is rather calmly critical. It is a description and estimate of the work of the British railway system, of its achievements and its shortcomings. If the author is a trifle impatient of parliamentary control, he nevertheless shows no disposition to exempt the railway managements from responsibility for wasteful or mistaken policies. He also includes a short historical sketch of the development of the British transportation system, which is, however, not the most interesting part of the book.